

ON DEVELOPMENT OF VIETNAM'S INDUSTRIAL PARKS AND EXPORT PROCESSING ZONES

The Vietnamese Party and Government have decided to concentrate the industrial development on industrial parks (IPs) and export processing zones (EPZs) even on early days of *đổi mới* period with the aim to secure effective operations of industrial and protect the environment and avoid divergent growth. Until 1996, the Resolution of the sixth Party Congress determined again: "to establish concentrated IPs (including EPZs and hi-tech IPs) as favorable conditions for building new manufacturing businesses and rural industry; upgrade existing businesses and move polluting ones beyond the city and restrict the establishment of new manufacturing businesses in residential areas."

Given this situation, IP and EPZ development is targeted at:

- (1) planning the expansion of manufacturing businesses and avoiding their divergent growth;
- (2) saving land and using effectively investment capital, and building infrastructures;
- (3) protecting the environment and minimizing industrial pollutants;
- (4) developing the industry as planned for its growth, increasing export volume and employment; and
- (5) building industrial cities for reasonable labor distribution across the country.

These targets are fully rational and appropriate to the country's conditions of industrial development

which is revealing a lot of shortcomings to be overcome.

However, the IP location should be deliberated to attract investors. The following are important problems:

- favorable conditions for building infrastructure and suitable location and acreage;
- supply and transport of material at low costs;
- labor supply in terms of quantity and quality;
- easy consumption of businesses' products; and
- harmonious combination of IP and EPZ development and urban planning as well as social security and national defense.

Table 1: IP establishment from 1991 to 2003

Year	Number of IPs	Area (ha)
1991	1	300
1992	1	62
1994	5	714
1995	5	1,201
1996	13	1,937
1997	22	3,107
1998	15	2,803
1999	2	152
2000	1	698
2001	1	918
2002	9	3,210
2003	1	112
Total	76	15,214

Source: Ministry of Planning and Investment (MPI)

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I. FACTS OF IP AND EPZ DEVELOPMENT

1. The history of IP establishment

The country had 73 IPs and 3 EPZs on the total natural area of 15,214 hectares until the end of February 2003 including 10,600 ha for lease in addition to 14,000 ha of the Dung Quất IP and the Chu Lai open economic zone.

The above table shows most of IPs have been built in the 1996-1998 period and 2002. This fact is due to local governments' insufficient attention to the foundation of concentrated IPs. Moreover, this was a fresh kind of investment requiring huge capital, so investors were not really determined. Nevertheless, until 1996, the IP establishment was reconfirmed and stressed in the eighth Party Congress, in addition, this was a year marking strong renovation in macro-economic management and attracting investors' attentions to this field.

These figures indicate uneven distribution of IPs across the country. They are concentrated mainly on the southeastern region and the Hồng River Delta. In the meantime, only a few IPs were built in the regions which have great potentials of materials for processing business, including the southern midland and mountainous region, Central Highlands and the Mekong Delta.

There is also a wide gap in acreage, each IP covers an average area of 198 ha not mentioning the Dung Quất IP with 14,000 ha. The greatest is Phú Mỹ 1 IP with 954.4 ha in Bà Rịa - Vũng Tàu and the smallest is Bình Chiếu IP with 28 ha in HCMC.

2. Construction of IP infrastructures

Until the end of 2002, as many as 69 enterprises were given green light to build IP and EPZ infrastructures with total registered capital of US\$981 million and VND15,472 billion. They included 53 Vietnamese investors with combined capital of VND15,472 billion, 15 joint venture companies with US\$981 million and one wholly foreign-invested enterprise with US\$12 million. The realized capital of these projects currently accounts for 40% of registered one.

In addition to IPs and EPZs having already set up their infrastructure such as Tân Thuận and Linh Trung EPZs, IPs of

Table 2: IP distribution by region

Region	Number of IPs	Area (ha)
Northern midland and mountainous areas	2	139
Central Highlands	1	181
Hồng River Delta	14	2,121
Mekong Delta	5	824
Central coastal region	14	1,972
Southeastern region	40	9,977
Total	76	15,214

Source: MPI



NOMURA, Đà Nẵng, Vietnam-Singapore... the rest are now in the process of compensation for site clearance, or site leveling and under construction.

This condition is attributed to lack of capital but the main reason is slow compensation and site clearance, thus the investors have not yet been allocated land for construction. This is also originated from the Government's inappropriate policies on unit price of compensation and its undetermined settlement of delay in site clearance. This causes wastes in time and money.

Nevertheless, over the past years the construction of IP infrastructures has achieved a lot of progress

Table 3: IP and EPZ classified by land leasing

Proportion of leased land	Number of IPs
From 80 % and up	15
From 50% to 80%	19
From 30% to 50%	17
From 10% to 30%	11
From 1% to 10%	5
Not leased	9
Total	76

Source: MPI

in alluring investors to IPs although it faced not a few impediment in planning and policy. This is proved by the acreage of leased land in IPs and EPZs as compared to their total area.

3. Land leasing in IPs and EPZs

IPs and EPZs across the country have both built infrastructures and attracted investors at the same time, they have so far leased 4,060 hectares or 45% of their total area.

In detailed analysis, they are divided into three groups:

Group 1: almost having leased their total area, including IPs of Biên Hoà 1, Biên Hoà 2, Bình Chiểu, Mỹ Tho, Trảng Bàng, Sa Đéc and Linh Trung 1.

Group 2: having high proportion of leased land, including IPs of Phú Bài 97%, Hoà Hiệp 94%, Đồng An 91%, Gò Dầu 72% and Tân Thuận 69%.

Group 3: having low proportion of leased land, especially there are IPs already established but receiving no projects of leasing land such as IPs of Hải Phòng, Cát Lái, Sài Đồng and Kim Hoa.

The above situation is due to following reasons:

Objective: Foreign direct investment has seen a downward trend in recent

years while there are bright signs in domestic investment since the promulgation of the Companies Law.

Subjective: In some lo-

eling and costs of infrastructure construction. Moreover, investors want to fix high prices to recover their capital quickly and avoid risks.

4. Investment in IPs and EPZs

Although they face not a few difficulties in compensation, site clearance, construction of IP and EPZ infrastructures as well as unattractive land rent, over the past 12 years

Seventy-six IPs and EPZs have attracted enterprises from all economic sectors across the country to invest in construction of IP and EPZ infrastructures, manufacturing and services. To date there are operational 2,388 investment projects in IPs and EPZs not mentioning IP construction projects.

Table 4: Investment in IPs and EPZs

Forms of investment IP	Number of projects	Investment capital	
infrastructure construction			
Foreign investment	16	US\$	981 million
Domestic investment	53	VND	15,472 billion
Manufacturing and services			
Foreign investment	1,235	US\$	9,868 million
Domestic investment	1,084	VND	55,850,000 billion

Source: MPI

calities, there is no detailed planning for manufacturing projects in IPs. On the other hand, the IP's land rent is higher than that outside the IP, especially in IPs and EPZs where foreign investors build infrastructures. That causes impediment to local investors and joint ventures. This also explains the reason why 100% foreign-invested projects account high proportion (88%) in IPs and EPZs.

The land rent in IPs and EPZs is very high because it includes inappropriate items, for example, costs of compensation for site clearance and site lev-

IPs and EPZs become more attractive to local investors since the Companies Law took effect because they are planned in the long term and land lease procedure simpler and faster. HCMC, Bình Dương Province and other provinces in the central region attract more local investors to their IPs and EPZs.

Foreign businesses are major investors in IPs and EPZs. There are so far more than 40 countries and territories investing in IPs and EPZs. In the meantime, Asian investors play an important role. Regarding the number of

projects, seven Asian countries and territories implement nearly 80% of total investment projects.

The investment struc-

engineering still attract a few projects.

5. Employment in IPs and EPZs

Table 5: Tipten foreign investors IN IPs and EPZs

	Number of projects	Investment capital (US\$)
Japan	516	1,836,213,919
Taiwan	433	1,593,245,617
South Korea	156	1,485,479,857
Singapore	86	724,687,606
British Virgin Island	55	669,206,181
Hong Kong	67	559,917,384
Thailand	34	418,813,530
The U.S.	47	385,134,372
Cayman Islands	4	360,184,730
Malaysia	44	290,364,733

Source: MPI

Table 6: Employment in IPs and EPZs

Cities and provinces	Number of workers Over
HCMC	110,000
Đồng Nai	Over 110,000
Bình Dương	About 70,000
Đà Nẵng	17,000
Quảng Nam	Over 10,000

ture of foreign countries and territories in general shows a striking imbalance. European and North American countries take a modest proportion. This is an urgent problem to the task of promoting and calling for foreign investment in Vietnam.

The FDI in IPs and EPZs accounts for about 23% of total registered investment capital.

Regarding sectors and investment fields, FDI projects in IPs and EPZs are mainly light and food industry, assembly of electric and electronic products, production of building materials and steel. The sectors of chemicals production and mechanical

The IPs and EPZs have so far offered jobs for some 700,000 workers as indicated in the following table:

Female labor represents 62% of total employees in IPs and EPZs because investment projects are focused on production of textile and garment, footwear, electronic assembly which are suitable for woman workers.

Most of workers are young people who are capable of adapting themselves quickly to new technologies and working in

the long term. This is also an advantage for investors in their strategy of human resource training and development.

Nevertheless, IP workers also come from other provinces. This obviously causes some serious problems including traffic jam, goods transport, security and living conditions of workers...

II. EVALUATION OF IP AND EPZ INVESTMENT

In their 12 years of construction and growth, IPs and EPZs have made significant contributions to the country's socio-economic development in spite of certain difficulties.

- In its early stage, IPs and EPZs attracted mainly foreign investors but recently more local investors have given attention to IPs and EPZs since the birth of the Companies Law. To date, domestic businesses' projects in IPs and EPZs account for 48% of the total.

- Manufacturing projects have high proportion of export, so they produce good effects on the country's economic restructuring and export growth.

- IPs and EPZs have attracted more than 700,000 workers nationwide. This has helped improve workers' living standard and the people's intellectual level and reduce social evils.

- IPs and EPZs are pre-conditions to accelerate urbanization across the country.

However, in their process of establishment and development, IPs and EPZs have revealed certain deficiencies as follows:

- In general, IPs and EPZs are distributed unevenly across the country. They are concentrated on a few cities and provinces. This leads to waste of investment capital in infrastructure construction. On the other hand, the lack of accommodations and living facilities for workers in IPs and EPZs badly affects productivity and social security. Moreover, the unhealthy competition in investment attraction between IPs results to ineffective use of investment capital.

- The government policy remains a lot of defects, land rent are very high, so IPs and EPZs are not really attractive to investors.

- The task of promoting and calling for investment is not effective, so the IP and EPZ potentials are not fully tapped.

- Some IP and EPZ authorities' licensing is not in accordance with law. They are required to understand and respect their rights and obligations better, at the same time hold the initiative in attracting investors to their land. ■

